



STATE INCOME TAX RATES

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PROGRESSIVE VS FLAT INCOME TAX RATES

Forty-one states and the District of Columbia tax earned income—wages and salaries—and unearned income—interest, dividends, and capital gains (broad based income tax). New Hampshire and Tennessee tax only unearned income.

Of the jurisdictions that tax income, 34 and the District of Columbia do so by dividing income into ascending brackets and taxing each at a progressively higher rate (progressive tax).

Seven states (including Massachusetts) tax income, regardless of the amount, at the same rate (flat rate tax).

QUESTION

Did California, the New England states, and New Jersey and New York increase the income tax rates on their highest earners between 2009 and 2014?

SUMMARY

Of the nine states in our sample, all but New Hampshire levy broad-based personal income taxes (New Hampshire taxes interest and dividend income at a flat 5% annual rate). Of the remaining eight states, all but Massachusetts levy a progressive income tax, one in which the rate increases with income. (Massachusetts taxes income, regardless of the amount, at a flat annual rate, which for 2014 is 5.2%).

Of the seven states with progressive income taxes, California (2012), Connecticut (2009 and 2011), New Jersey (2009), and New York (2009 and 2012)

increased the tax rates on the highest income bracket in 2009-2014. All but Connecticut increased the rates on a temporary basis. California, for example, increased the rates on the highest income brackets for seven years under Proposition 30, a ballot initiative that included other revenue raising measures.

During this period, Maine and Rhode Island made structural changes to their income tax. In 2011, Maine consolidated its four brackets into three and reduced the rate for its top bracket from 8.5% to 7.95%. These changes took effect in 2012. In 2010, Rhode Island consolidated its 20 brackets into three and set the rate for the highest bracket at 5.99%. Vermont reduced its income tax rates in 2011-2012.

A progressive income tax's brackets and rates tax people based on their ability to pay. But other elements of the tax, such as exemptions and deductions, also affect one's ability to pay. The Massachusetts Tax Fairness Commission underscored this point in a 2014 report, claiming that the state's flat income rate tax was progressive "because of a number of exemptions, deductions, and credits for low-income taxpayers, including a provision that exempts very low-income individuals from paying any income tax, a substantial personal exemption available to all taxpayers, and a state-administered Earned Income Tax Credit" ([Report of the Tax Fairness Commission](#), Commonwealth of Massachusetts, March 1, 2014).

CALIFORNIA

In 2012, California voters approved a ballot initiative that increased the tax rate on taxable income over \$250,000 for seven years, from 2012-2018. (The initiative—Proposition 30, Temporary Taxes to Fund Education—also increased the sales tax from 7.25% to 7.50% for four years, from 2013-2016.) Attachment 1 shows how the rate increased for incomes in the top three brackets for each filing status. For example, the rate for single filers increased from (1) 9.3% to 10.3% for income between \$250,000 and \$300,000, (2) 9.3% to 11.3% for income between \$250,000-\$300,000, and (3) 9.3% to 12.3% for income over \$500,000.

CONNECTICUT

In 2009, the General Assembly increased the tax rates on income over \$1 million for joint filers; \$800,000 for heads of households; and \$500,000 for single filers and married people filing separately (PA 09-3, June Special Session (JSS)). It did this by adding a third, higher-income tax bracket and increasing the marginal tax rate for income in that bracket from 5.0% to 6.5%. Attachment 2A shows how the brackets and rates were changed.

In 2011, the legislature made two changes affecting the upper income brackets. First, it increased the marginal income tax rates for those with incomes over (1) \$100,000 for joint filers, (2) \$50,000 for single filers and married people filing separately, and (3) \$80,000 for heads of households (PA 11-6). As Attachment 2B shows, the legislature did this by increasing the number of tax brackets from three to six and increasing the top marginal income tax rate from 6.5% to 6.7%.

The other 2011 change phased out the lowest 3% income tax bracket starting with taxpayers with Connecticut adjusted gross incomes (CT AGI) over \$100,500 for joint filers; \$56,500 for singles; \$78,500 for heads of households; and \$50,250 for married couples filing separately. As Attachment 2C shows, the legislature did this by subjecting less taxable income to the 3% income tax rate as CT AGI increases, thus exposing more taxable income to the 5% bracket.

NEW JERSEY

For 2009 only, New Jersey increased the tax rate on incomes:

1. between \$400,000-\$500,000, from 6.37% to 8.0%;
2. between \$500,000-\$1 million, from 8.970% to 10.25%; and
3. over \$1 million, from 8.970% to 10.75% (2009 N.J. Session Laws, Chapter 69).

Attachment 3 provides details.

NEW YORK

In 2009, New York temporarily increased the tax rate on incomes over \$20,000 for 2009-2010, after which the 2008 brackets and rates would reapply (2009 N.Y. Session Laws, Chapter 57). In 2012, though, the legislature restructured the brackets and rates in 2012 for the years 2012-2014 (2012 N.Y. Sessions Law, Chapter 56) and then extended this period to 2017, after which the 2008 brackets and rates will apply (2014 N.Y. Session Laws, chapter 59).

Whether the 2012 change increased or decreased the tax rate depends on one's point of view, the law firm GreenbergTraurig [opined](#) in its December 2011 *Tax Alert*. "The tax rates in 2012 will be lower than they were in 2011, but higher than they would have been if the temporary rates enacted in 2009 had expired without further action."

Attachment 4 compares the brackets and rates for three periods: 2008, 2009-2011, and 2012-2014.

HYPERLINKS

Report of the Tax Fairness Commission, Commonwealth of Massachusetts, March 1, 2014 <https://malegislature.gov/Content/Documents/Events/TaxFairnessReport.pdf>, last visited August 20, 2014

California Attorney General, *Proposition 30: Temporary Taxes to Fund Education. Guaranteed Local Public Safety Funding. Initiative Constitutional Amendment*, <http://vig.cdn.sos.ca.gov/2012/general/pdf/30-title-sum-analysis.pdf> , last visited August 20, 2014

GreenbergTraurig, "New York State Changes Personal Income Tax Rates," December 2011 *Tax Alert*, <http://www.gtlaw.com/News-Events/Publications/Alerts/154808/New-York-State-Changes-Personal-Income-Tax-Rates>, last visited August 27, 2014

Attachment 1: California Income Tax Rates Before and After Proposition 30

<i>Taxable Income by Filing Status</i>			<i>Tax Rate (%)</i>	
<i>Single Filer</i>	<i>Joint Filer</i>	<i>Head of Household</i>	<i>Before Proposition 30</i>	<i>After Proposition 30</i>
\$0-7316	\$0-14,632	\$0-14,642	1.0	1.0
7,316-17,346	14,632-34,692	14,642-34,692	2.0	2.0
17,346-27,377	34,692-54,754	34,692-44,721	4.0	4.0
27,377-38,004	54,754-76,008	44,721-55,348	6.0	6.0
38,004-48,029	76,008-96,058	55,348-65,376	8.0	8.0
48,029-250,000	96,058-500,000	65,376-340,000	9.3	9.3
250,000-300,000	500,000-600,000	340,000-408,000	9.3	10.3
300,000-500,000	600,000-1,000,000	408,000-680,000	9.3	11.3
Over 500,000	Over 1,000,000	Over 680,000	9.3	12.3

Source: California Attorney General, Proposition 30: [Temporary Taxes to Fund Education. Guaranteed Local Public Safety Funding. Initiative Constitutional Amendment.](#)

Attachment 2A: Connecticut Income Tax Rates and Brackets by Filing Status Before and After PA 09-3, JSS

Single Filer			
Before		After	
Bracket	Rate (%)	Bracket	Rate (%)
\$0-\$10,000	3.0	\$0-\$10,000	3.0
Over 10,000	5.0	10,000-500,000	5.0
		Over 500,000	6.5
Married Filing Jointly or Surviving Spouse			
Before		After	
Bracket	Rate (%)	Bracket	Rate (%)
\$0-\$20,000	3.0	\$0-\$20,000	3.0
Over 20,000	5.0	20,000-1,000,000	5.0
		Over 1,000,000	6.5
Head of Household			
Before		After	
Bracket	Rate (%)	Bracket	Rate (%)
\$0-\$16,000	3.0	\$0-\$16,000	3.0
Over 16,000	5.0	16,000-800,000	5.0
		Over 800,000	6.5
Married Filing Separately			
Before		After	
Bracket	Rate (%)	Bracket	Rate (%)
\$0-\$10,000	3.0	\$0-\$10,000	3.0
Over 10,000	5.0	10,000-50,000	5.0
		Over 500,000	6.5

Attachment 2B: Connecticut Income Tax Rates and Brackets by Filing Status Before and After PA 11-3

Single Filer			
Before		After	
Bracket	Rate (%)	Bracket	Rate (%)
\$0-\$10,000	3.0	\$0-\$10,000	3.00
10,000-500,000	5.0	10,000-50,000	5.00
		50,000-100,000	5.50
		100,000-200,000	6.00
		200,000-250,000	6.50
		250,000-500,000	6.70
Over 500,000	6.5	Over 500,000	
Married Filing Jointly			
Before		After	
Bracket	Rate (%)	Bracket	Rate (%)
\$0-\$20,000	3.0	\$0-\$20,000	3.00
20,000-1,000,000	5.0	20,000-100,000	5.00
		100,000-200,000	5.50
		200,000-400,000	6.00
		400,000-500,000	6.50
		500,000-1,000,000	6.70
Over 1,000,000	6.5	Over 1,000,000	6.70
Head of Household			
Before		After	
Bracket	Rate (%)	Bracket	Rate (%)
\$0-\$16,000	3.0	\$0-\$16,000	3.0
16,000-800,000	5.0	16,000-80,000	5.0
		80,000-160,000	5.50
		160,000-320,000	6.00
		320,000-400,000	6.50
		400,000-800,000	6.70
Over 800,000	6.5	Over 800,000	6.70
Married Filing Separately			
Before		After	
Bracket	Rate (%)	Bracket	Rate (%)
\$0-\$10,000	3.0	\$0-\$10,000	3.00
10,000-50,000	5.0	10,000-50,000	5.00
		50,000-100,000	5.50
		100,000-200,000	6.00
		200,000-250,000	6.50
		250,000-500,000	6.70
Over 500,000	6.5	Over 500,000	6.70

Attachment 2C: Connecticut 2011 Phase-out of 3% Bracket by Filing Status (PA 11-3)

Filing Status							
Single Filer		Married Filing Jointly		Head of Household		Married Filing Separately	
CT AGI	Amount of Income Taxed at 3%	CT AGI	Amount of Income Taxed at 3%	CT AGI	Amount of Income Taxed at 3%	CT AGI	Amount of Income Taxed at 3%
\$0-\$56,500	\$10,000	\$0-100,500	\$20,000	\$0-\$78,500	\$16,000	\$0-\$50,250	\$10,000
56,500-61,500	9,000	100,500-105,500	18,000	78,500-82,500	14,400	50,250-52,750	9,000
61,500-66,500	8,000	105,500-110,500	16,000	82,500-86,500	12,800	52,750-55,250	8,000
66,500-71,500	7,000	110,500-115,000	14,000	86,500-90,500	11,200	55,250-57,750	7,000
71,500-76,500	6,000	115,500-120,500	12,000	90,500-94,500	9,600	57,750-60,250	6,000
76,500-81,500	5,000	120,500-125,500	10,000	94,500-98,500	8,000	60,250-62,750	5,000
81,500-86,500	4,000	125,500-130,500	8,000	98,500-102,500	6,400	62,750-65,250	4,000
86,500-91,500	3,000	130,500-135,000	6,000	102,500-106,500	4,800	65,250-67,750	3,000
91,500-96,500	2,000	135,000-140,500	4,000	106,500-110,500	3,200	67,750-70,250	2,000
96,500-101,500	1,000	140,500-145,500	2,000	110,500-114,500	1,600	70,250-72,750	1,000
Over 101,500	None	Over 145,500	None	114,500	None	72,750	None

Attachment 3: New Jersey Income Tax Rates 2008, 2009, and after 2009, by Filing Status

Married Filing Jointly, Head of Household, or Surviving Spouse					
2008		2009		After 2009	
Bracket	Rate (%)	Bracket	Rate (%)	Bracket	Rate (%)
\$0-20,000	1.4	\$0-\$20,000	1.4	\$0-20,000	1.4
20,000-50,000	1.75	20,000-50,000	1.75	20,000-50,000	1.75
50,000-70,000	2.45	50,000-70,000	2.45	50,000-70,000	2.45
70,000-80,000	3.50	70,000-80,000	3.50	70,000-80,000	3.50
80,000-150,000	5.525	80,000-150,000	5.525	80,000-150,000	5.525
150,000-500,000	6.37	150,000-400,000	6.37	150,000-500,000	6.37
		400,000-500,000	8.0		
Over 500,000	8.970	500,000-1,000,000	10.25	Over 500,000	8.970
		Over 1,000,000	10.75		
Single or Married Filing Separately					
2008		2009		After 2009	
Bracket	Rate (%)	Bracket	Rate (%)	Bracket	Rate (%)
\$0-20,000	1.4	\$0-\$20,000	1.4	\$0-20,000	1.4
20,000-35,000	1.75	20,000-35,000	1.75	20,000-35,000	1.75
35,000-40,000	3.5	35,000-40,000	3.5	35,000-40,000	3.5
40,000-75,000	5.525	40,000-75,000	5.525	40,000-75,000	5.525
75,000-500,000	6.37	75,000-400,000	6.37	75,000-500,000	6.37
		400,000-500,000	8.0		
Over 500,000	8.97	500,000-1,000,000	10.25	Over 500,000	8.97
		Over 1, 000,000	10.75		

Attachment 4: Comparison of New York State Income Tax Rates

Married Filing Jointly and Surviving Spouse					
2005-2008		2009-2011		2012-2017	
Bracket	Rate (%)	Bracket	Rate (%)	Bracket	Rate (%)
\$0-\$16,000	4.0	\$0-\$16,000	4.0	\$0-\$16,000	4.0
16,000-22,000	4.5	16,000-22,000	4.5	16,000-22,000	4.5
22,000-26,000	5.25	22,000-26,000	5.25	22,000-26,000	5.25
26,000-40,000	5.9	26,000-40,000	5.9	26,000-40,000	5.9
Over 40,000	6.85	40,000-300,000	6.85	40,000-150,000	6.45
				150,000-300,000	6.65
		300,000-500,000	7.85	300,000-2,000,000	6.85
		Over 500,000	8.97		
				Over 2,000,000	8.82
Single or Married Filing Separately					
2005-2008		2009-2011		2012-2017	
Bracket	Rate (%)	Bracket	Rate (%)	Bracket	Rate (%)
\$0-\$8,000	4.0	\$0-\$8,000	4.0	\$0-\$8,000	4.0
8,000-11,000	4.5	8,000-11,000	4.5	8,000-11,000	4.5
11,000-13,000	5.25	11,000-13,000	5.25	11,000-13,000	5.25
13,000-20,000	5.9	13,000-20,000	5.9	13,000-20,000	5.9
Over 20,000	6.85	20,000-200,000	6.85	20,000-75,000	6.45
				75,000-200,000	6.65
		200,000-500,000	7.85	200,000-1,000,000	6.85
		Over \$500,000	8.97		
				Over 1,000,000	8.82
Head of Household					
2005-2008		2009-2011		2012-2017	
Bracket	Rate	Bracket	Rate	Bracket	Rate
\$0-\$11,000	4.0	\$0-\$11,000	4.0	\$0-\$12,000	4.0
11,000-15,000	4.5	11,000-15,000	4.5	12,000-16,500	4.5
15,000-17,000	5.25	15,000-17,000	5.25	16,500-19,500	5.25
17,000-30,000	5.9	17,000-30,000	5.9	19,500-30,000	5.9
Over 30,000	6.85	30,000-250,000	6.85	30,000-100,000	6.45
				100,000-250,000	6.65
		250,000-500,000	7.85	250,000-1,500,000	6.85
		Over 500,000	8.97		
				Over 1,500,000	8.82

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